

MANAGEMENT'S RESPONSE

OBSERVATIONS	RECOMMENDATIONS	RESPONSE
<p>4. Accounting</p> <ul style="list-style-type: none"> ▪ Lack of a current property inventory and inaccurate property records prevented the OES from accurately reconciling acquisitions and dispositions of capitalized property (equipment with a value of \$5000 or more and a useful life of at least one year) with the amounts recorded in the of General Ledger property accounts in accordance with SAM § 7924. • Our review identified late payment penalties of \$38,749 related to delayed invoice processing that were incurred for fiscal year 2007-2008. The main reason cited for the late fees was delays in the receiving of inventory in the system. Fines are as required per SAM §8474 and detailed in the Prompt Payment Act. • We also noted that invoices had been paid without confirmation that property had been properly received inspected, and /or identity tagged. • OES accounting staff rely on information provided by the property controller, in order to post CalSTARS fixed asset entries. The submission of the Quarterly Equipment Reconciliation Report is not always timely. 	<ul style="list-style-type: none"> • The agency should design and implement policy and procedures, consistent with SAM requirements for the periodic reconciliation of fixed asset entries from source documents with control accounts. 	<p>Procurement and Logistics Branch:</p> <p>The Procurement and Property Control Section will assist Accounting by correcting inefficient processes within our scope of responsibility addressed in this audit report. All noted responses and dates above will help to correct observations and meet the audit recommendation.</p> <p>Accounting Section:</p> <p>Continuous training and discussion with Accounting staff have been made including emphasis on processing invoices accurately and in a timely manner and sending notices to program staff and managers regarding stock receipt on purchases made.</p> <p>Accounting Unit has adapted a new timeline for CALSTARS month-end processing to ensure that information will be provided to program staff and managers accurately, efficiently and regularly in a timely manner.</p>

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<p>Physical Inventory of Property</p> <ul style="list-style-type: none"> • The OES has not completed a full inventory since year 2000. Inventory databases have not been maintained or actively updated. • The review identified a weakness in internal controls for the proper safeguarding of property. A significant amount of electronic items were missing, lost, or unaccounted for. Staff interviews indicated that this is an ongoing problem and that little or no accountability has been exercised. • Proper documentation of lost and stolen property has not been prepared and the agency lacks evidence of a preventive measures statement identifying procedures to be implemented to prevent future losses. 	<ul style="list-style-type: none"> ▪ The agency should develop an adequate and accurate central record keeping system to track and ensure return of all assigned equipment during normal and emergency operations. 	<p>The Procurement and Logistical Services Branch is in full agreement with this recommendation and will seek to develop a central database to track equipment. This will be accomplished through the web enabled applications project that will be completed by June 30, 2009.</p> <p>By December 30, 2009 (estimated) – IT implementation of Inventory Tracking Database.</p> <p>Create/Initiate Equipment Check-Out form as needed and use during employee separation process.</p> <p>By January 2, 2010 – "Rotating" Inventories will be completed according to an established calendar to ensure a full inventory has taken place over the consecutive three-year time frame.</p>



Cal EMA
CALIFORNIA EMERGENCY
MANAGEMENT AGENCY

M E M O R A N D U M

Date: October 6, 2009

To: Penny Krueger, Manager
Office of Audit and Evaluation

From: Rick Stolz, Acting Chief
Fiscal Services Branch

Subject: Accounting Section Internal Audit Response – Fixed Assets

In response to the recently concluded *Internal Audit Report, Improvements Needed In Property Management*, the Accounting Section has implemented new policies and guidelines to adhere to the need of the agency in establishing and maintaining better internal control and becoming more financially responsible in the accounting of fixed assets. We have updated and improved the existing internal procedures in processing Accounting documents. Also, we have set up timelines for reporting of financial information.

The following measures were implemented after knowledge of the audit findings and prior to the submission of the final internal audit report:

Proper Documentation of Stock Receipt:

The Accounting Section works diligently with program and receiving staff to properly document receipt of equipment either fully or partially received. The Accounting Section does not pay any invoices without proper documentation of the receipt of the invoiced item(s). The Accounting Section accepts e-mails as a Stock Receipt document in lieu of completion of the electronic Form 13. The email must identify what was received with specificity. The email is attached to the invoice as a supporting document and filed with the Claim Schedule sent to the State Controller's Office. Accounting Section accepts emails in lieu of the properly completed Forms 13 as the last choice when necessary to facilitate prompt payment of invoices and for staff without access to the Lotus database (electronic Form 13). The Accounting Section will use every effort to ensure payment for only items actually certified by Inventory Receiving Staff as received.

Timely Payment of Invoices

- The Accounting Section is aware of the Prompt Payment Act and is exerting all efforts to pay invoices timely to comply with this law. We have implemented a 3-

Notices Rule via e-mail to alert Receiving Staff and Managers of the need to Stock Receipt item(s) properly.

1st Notice – Reminder to Receiving Staff that Accounting has received the invoice and they need to confirm whether or not the item(s) have been received.

2nd Notice – Request sent to Receiving Staff and the immediate supervisor with a cc to Accounting Unit managers that we have received an invoice and they need to confirm the receipt of the item(s). Included in the request is a reminder a payment penalty may be incurred.

3rd Notice – Final request to Receiving Staff, immediate supervisor, Branch or Division chief, with a cc to Accounting Unit managers and Section Chief regarding the invoice received and their immediate attention is required or Accounting will dispute the invoice due to non-receipt of the item(s).

- The Accounting Section will issue an Accounting Letter to remind all agency staff of the Prompt Payment Act and the processes necessary to comply with this law.

Timely Reporting of Fixed Assets

The Accounting Section during December 2008 implemented timelines and deadlines to ensure that the CALSTARS month-end process is performed consistently to enable the Accounting Section to provide timely, accurate, and comprehensive financial and fixed asset information to property management staff.

The Accounting Section is working with the Fiscal Analysis Unit and Procurement and Logistical Services to assure the proper Object Codes are identified in the procurement process so Cal EMA can provide accurate fixed asset reports.

We have continuously communicated with other Sections and program staff to implement new processes and to improve existing procedures. On-going training is also provided to assist staff to better understand the Accounting payment process. A monthly meeting with staff is also conducted to update everyone on new processes and changes, to identify weaknesses, and to strengthen good fiscal practices.

The Fiscal Services Branch appreciates the review and recommendations made by the Office of Audit and Evaluation. We are committed to making the recommended changes and improving existing policies and procedures.

**CALIFORNIA EMERGENCY MANAGEMENT AGENCY**

Procurement and Logistical Services Branch

3650 Schriever Ave.

Mather, CA 95655

Phone: (916) 845-8114

Fax: (916) 845-8397



October 1, 2009

Penny Krueger, Manager
Office of Audit and Evaluation
3650 Schriever Ave.
Mather, CA 95655

Dear Ms. Krueger:

SUBJECT: PALS BRANCH AUDIT RESPONSE

The Procurement and Logistical Services Branch (PALS) concurs with the findings and recommendations of the Office of Audit and Evaluation's (OAE) review of the California Emergency Management Agency's (formerly the Governor's Office of Emergency Services) Property Management policy and procedures.

PALS took immediate proactive measures in response to OAE's findings and recommendations. Prior to the audit's conclusion, PALS successfully implemented various remedies and/or established completion dates to address the five OAE audit objectives; internal controls, purchasing and receiving inventory, disposal, transfers & equipment assignments, accounting, and physical inventory of property.

Internal Controls

- Provide "ongoing" training to purchasing liaisons and inventory receiving staff.
- Update Purchasing Manual and Cal EMA Administration Manual periodically.
- By 12/30/09 - Complete 3 Year Inventory.
- By 1/02/10 – Begin "rotating" inventory to ensure completion within the three year period.

Purchasing and Receiving Inventory

- 1/29/09 – Provided Executive Operations updated purchasing and property policies including statements that address prohibited purchases that are to be used for "unconfirmed future use."
- 2/28/09 – Implemented PALS Branch staff realignment to ensure better oversight and ensure fixed assets are inspected, tagged, and recorded at time of delivery and prior to distribution.
- 2/28/09 – Number of purchasers reduced and trained to ensure better control.
- 3/31/09 – Completed site visits to other agencies to observe their established processes.
- By 12/30/09 (estimate) – IT implementation of Inventory Tracking database.
- By 3/2010 – Update Purchasing Manual and train purchasers on proper "object code" usage.

Disposals, Transfers & Equipment Assignments

- 12/2008 – Updated policy addressing ongoing monitoring, transfer and disposal of fixed assets consistent with SAM.
- Request closer management/supervisor oversight in cases of lost, stolen, or missing equipment.
- By 12/30/09 – Establish possible consequences for known staff negligence.
- Coordinate with Personnel to ensure timely notification of employee separations.
- By 12/30/09 – Establish procedures for emergency operations and property/equipment deployment.

Accounting

- Coordinate with Accounting to correct inefficient process directly related to PALS' responsibility as defined in OAE audit report.

Physical Inventory of Property

- By 12/30/09 (estimate) – IT implementation of Inventory Tracking database.
- By 1/02/10 – Begin "rotating" inventory to ensure completion within the three year period.
- Create/Initiate Equipment Check-Out form for all current equipment.
- Management/Supervisor will update form as needed and use during employee separation process.

The PALS Branch expresses appreciation to OAE staff efforts to provide guidance and review of its Property Management policies and procedures. The PALS Branch continues to take a proactive response to the findings and recommendations. Your review and recommendations ensures the PALS Branch achieves full compliance.

Sincerely,

LEE DOREY
Branch Chief

